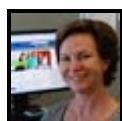


THE CONVERSATION

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Why merit may not be best for new ABC, SBS boards

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Getting along: existing ABC board members should have input into new board selections. AAP/Alan Porritt

Who'd want to be a board member of the ABC or SBS? The federal budget wiped 1% from the broadcasters annual funding and confirmed the **Australia Network will cease its service**. It is vital the three soon-to-be-appointed directors can handle these challenges.

Appointments to Australia's public broadcaster boards have often faced criticism for political bias. Appointees have been said to be chosen from the prime ministers **christmas-card list** and the board itself considered by some a **political play-thing**.

Merit-based selection

In a bid to increase public confidence, the previous Labor government introduced a supposedly fairer merit-based process for ABC and SBS board appointments. Despite the present government criticising the **wasteful spending** involved, the upcoming appointments will follow the same process.

Under the **merit-based selection process** vacant positions are advertised nationally, (applications closed 14 April) and an independent panel is tasked with assessing candidates against prescribed criteria.

For the ABC, this means board members must have broadcasting experience, financial or technical experience. For SBS, the criteria extends to an understanding of Australia's

multicultural society and diversity in cultural perspectives. The panel's recommendations are signed off by the minister, the governor-general makes the formal appointments.

The vacant positions replace ABC board member Julianne Schultz, SBS board member Elleni Bereded-Samuel and SBS Chairman Joseph Skrzynski. Both boards comprise seven non-executive directors and the managing director. Uniquely the ABC board also includes a staff-elected director position currently held by journalist Matt Peacock.

Along with Peacock, the new ABC director will join chairman James Spigelman, Cheryl Bart, Jane Bennett, Simon Mordant, Steven Skala, Fiona Stanley and managing director Mark Scott. The two new SBS board members will join Patricia Azarias, Jacqueline Hey, Daryl Karp, Bill Lenehan, Dot West and Michael Ebeid (MD).

While this merit-based approach should remove political bias and increase the competence of appointed directors, it may also inadvertently lead to boardroom dysfunction. A critical element to the selection process has been overlooked; nobody is asking will the new appointees fit in?

The need to get along

Boards are unique work groups. They meet infrequently, (generally 6-12 times a year), and spend limited time together outside the boardroom. Yet members of a board need to function as a cohesive team. Unlike other work groups there is no formal hierarchy within boards.

Directors do not hold individual power, formal power rests with the board acting as a group. The effectiveness of a board therefore lies not only in the collective skills and knowledge that each individual brings to the boardroom, but also in the ability of its members to work effectively together.

Externally managed director appointments (like those of the ABC and SBS) are common in the public sector, largely driven by a need to demonstrate impartiality. In contrast, the private sector relies heavily on the input of board members when assessing candidates, a practice in line with the ASX Corporate Governance Principals (2010) that recommends the entire board be responsible for any selection decision.

I recently conducted a study of board selection processes across a range of sectors, including government boards. Participants agreed that directors needed to be selected on merit – they require skills and knowledge necessary to do the job.

But this was only one element of selection criteria. A consistent message from practising directors was the need for new directors to be compatible with the current board. Directors reported that when new members held differing values or personality traits it made working with them difficult, at times leading to deterioration in board effectiveness.

Balance is key

So how is this balance of competence and compatibility best achieved? My study highlighted the need for a two-step process in director selections. After identifying a target pool of candidates with necessary skills (much like the process in place for ABC and SBS) most directors saw it crucial for the incumbent board to be involved in the final selection decision.

The experiences recounted for my study suggested the chance of a mis-fit arises when sitting directors are not involved in the selection decision (as appears to be the case at the ABC and

SBS). Allowing current director involvement improves the likelihood of correctly assessing a candidates "fit".

The capabilities of a group have repeatedly been shown to exceed those of an individual. Yet research has also shown that when a group fails to get along, interaction difficulties in the form of misunderstandings, poor communication and personal conflict can prevent a group from reaching its full potential.

Of course, too much similarity amongst directors can also limit a boards effectiveness. A homogeneous board is likely to interact well with one another but may lack the diversity needed to challenge management and risks being distracted from board matters by social discussions. High levels of cohesion in groups can result in conformity through **groupthink**, a condition that reduces independent thinking.

Both public and private sector boards have been heavily criticised, perhaps correctly, for bias and a lack of transparency in their appointment processes. As a result, more boards are seeking to demonstrate a bona fide selection process based on the candidate's resume. While in practice this move is positive and likely to increase diversity and oversight capability on boards, it is also important for boards not to lose sight of the need for its members to get along with one another.

There is every chance that the newly appointed members of the ABC and SBS boards will form a cohesive well-functioning group. But by removing the input of the existing board members from the selection process that element of chance is magnified.